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SUMMARY
OF
THE PRINCIPAL MEASURES
OF
THE VICEROYALTY
OF
THE MARQUESS OF LANSDOWNE
IN THE
FINANCE AND COMMERCE DEPARTMENT,
DECEMBER 1888 TO JANUARY 1894.



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CHAPTER I.

GENERAL FINANCIAL RESULTS.

1. During the four years from 1884-85 to 1887-88, there was an aggregate deficit of Rx. 5,039,000. In 1888-89, the last year of Lord Dufferin's administration, there was a small surplus of Rx. 37,000. In the first three years of Lord Lansdowne's administration, from 1889-90 to 1891-92, there was an aggregate surplus of Rx. 6,767,000. The year 1892-93, however, closed with a deficit of Rx. 833,403, and the Budget Estimate of 1893-94, as originally framed, showed a deficit of Rx. 1,595,100. Since the issue of the Financial Statement, however, changes have occurred which affect the Estimate. The closure of the mints to the free coinage of silver, with effect from the 26th June 1893, has raised the rate of exchange: the average for the year will probably be not less than 1s. 3d. the rupee as compared with 1s. 2½d., the rate taken in the Estimate. On the other hand, the grant of exchange compensation allowance entails a considerable increase of expenditure, and the Opium Revenue will be much less than the amount taken in the Budget Estimate. The Six Months' Estimate framed at the beginning of December 1893 showed a deficit of Rx. 1,959,500.

General financial results of the five years of Lord Lansdowne's administration.

2. The following statement gives the figures of the Budget Estimates and the actuals for each of the five years:—

		Revenue.	Expenditure.	Surplus.	Deficit.
1889-90	{ Budget	82,935,300	82,829,000	106,300	...
	{ Actuals	85,085,203	82,473,170	2,612,033	...
1890-91	{ Budget	84,932,100	84,661,700	270,400	...
	{ Actuals	85,741,649	82,053,478	3,688,171	...
1891-92	{ Budget	86,025,300	85,909,700	115,600	...
	{ Actuals	89,143,283	88,675,748	467,535	...
1892-93	{ Budget	88,367,900	88,221,300	146,600	...
	{ Actuals	90,172,445	91,005,848	...	833,403
1893-94	{ Budget	90,005,700	91,600,800	...	1,595,100
	{ Six Months' Estimate . . .	89,952,000	91,911,500	..	1,959,500

3. The increase in Revenue has been satisfactory. The following are the figures for some of the more important heads of Revenue at the beginning and end of the five years:—

	Actuals, 1888-89.	Budget Estimate, 1889-90	Actuals, 1892-93.	Budget Estimate, 1893-94.
Land Revenue	23,016,404	23,391,700	24,905,328	25,157,200
Opium	8,562,819	8,260,000	7,993,180	7,316,200
Salt	7,675,634	8,029,900	8,656,104	8,587,800
Stamps	3,927,088	3,959,500	4,448,540	4,434,100
Excise	4,705,346	4,727,300	5,242,443	5,145,900
Customs	1,332,784	1,418,400	1,617,638	1,665,200
Assessed Taxes	1,520,940	1,515,300	1,686,141	1,687,200
Railways	15,520,696	16,686,500	19,077,103	19,551,700

4. Opium is the only important head under which the Revenue has declined. That decline has been caused chiefly by a succession of five poor poppy crops in Bengal: this has reduced the expenditure on opium, but has at the same time necessitated a large reduction in the quantity of opium sold. The export duty on Malwa opium was also reduced from R650 to R600 a chest from 5th July 1890.

5. The expenditure has also increased, and latterly to such an extent as to convert the surpluses of the earlier years into considerable deficits this year and last. Some of the increases of expenditure are accompaniments of the increases of revenue and required to earn the revenue; others represent improvements in the various branches of the administration; others indicate greater activity in the construction of useful works of which there are large numbers awaiting only the allotment of funds; others again are held to be necessary to secure the safety of the Empire. But the most important of all the increases in expenditure has been caused by the fall in exchange. The rate of exchange has fluctuated considerably during the last five years. The average rate of the year 1888-89 was 1s. 4·379*d.* In 1890-91, in consequence of the proceedings of the American Legislature, which resulted in the passage of the Sherman Act, the rate rose at one time to nearly 1s. 9*d.* and the average of the year was 1s. 6·09*d.* The average fell to 1s. 4·733*d.* in 1891-92 and to 1s. 2·984*d.* in 1892-93. The rate taken in the Budget Estimate of this year was 1s. 2·75*d.* The expenditure of the several years varied with those fluctuations. With the object of relieving the finances and the trade of India from the uncertainties of exchange the mints were closed to the free coinage of silver in June 1893. This measure is noticed at greater length in the following chapter: it is too soon yet to foretell the results, but the rate of exchange has remained comparatively steady above 1s. 3*d.*, and was unaffected by the subsequent repeal of the Sherman Act in America—a measure which, with the mints still open, would probably have further lowered exchange most seriously; on the other hand, the Secretary of State has practically not been able to sell bills since July last.

6. Since the remarks in this and the next Chapter were written the rate of exchange has fallen much below 1s. 3*d.* This is the result of the two announcements made on the 18th and 20th January—first, that the Government do not intend to impose an import duty on silver, and second, that the Secretary of State will no longer hold out for a minimum rate of 1s. 3½*d.* for Council Bills. Uncertainty prevails as to the future of exchange, and business is practically suspended. Some time must elapse before it will be possible to form any forecast regarding the future of exchange.

CHAPTER II

MONETARY STANDARD.

1. The embarrassment of the finances, the impossibility of framing budgets with any reasonable certainty, and the inconvenience and impediments to trade caused by the great and increasing fluctuations in the gold value of silver and the heavy fall in the exchange value of the rupee, since 1873, and especially since 1885, have occupied the attention of the Government in an increasing degree since the divergence between the value of the two metals first began. In 1878 the Government of India made proposals for the adoption of a gold standard, but they were rejected by Her Majesty's Government on the advice of a Committee appointed by the Treasury. Following the rejection of these proposals, earnest and repeated efforts were made to induce Her Majesty's Government to secure a remedy by adhesion to an international agreement for the use of silver as well as gold as full legal tender money at a fixed ratio. That any result in this direction was almost hopeless was made clear by the termination of the sittings of the Royal Commission of 1886 - 88 ; and the further decline and violent fluctuations in exchange which followed led the Government of India to the conclusion that if the international adoption of the double standard were further deferred, or should prove unattainable, India must seek a remedy for herself without the co operation of other nations.

2. In the beginning of 1892 the Bengal Chamber of Commerce called the attention of the Government to this question, and, with reference to a telegraphic announcement that the United States had invited the Powers to another Conference for the purpose of considering the monetary question, the Chamber urged that the Government of India should promote an international agreement for the free coinage of gold and silver at a fixed ratio, and that, failing any such agreement, steps should be taken to have the question of a gold standard for India carefully and seriously considered by competent authorities. This view of the case was in practical accordance with the view which events had already forced upon the Government, and the Secretary of State was addressed first in a Despatch, dated the 23rd March 1892, which recommended that if the United States of America or any other Government should make proposals for the holding of an International Conference for the settlement of the silver question, the strongest support should be given to those proposals ; and later in a Despatch, dated the 21st June 1892, suggesting that if it became evident that the International Conference was unlikely to arrive at a satisfactory conclusion, and if a direct agreement between India and the United States was found to be unattainable, the Indian mints should be closed to the unrestricted coinage of silver for the public and arrangements made to introduce a gold standard.

3. While this correspondence was proceeding, public opinion in India was deeply stirred by the course which events were taking and the probability that the rapid fall in the value of silver which was in progress would within a measurable time reduce the exchange value of the rupee to a shilling or less. An Association, which was constituted under the name of the Indian Currency Association for the purpose of agitating for the reform of the Indian currency, rapidly grew in strength and numbers, branches being formed at a great many places all over India, the members comprising all sections of the population. From this Associ-

ation and its branches, from the Chambers of Commerce at Bombay and Karachi, and from certain other commercial bodies, earnest representations were received deprecating the constant fluctuations of the gold value of the rupee and urging the essential need of steps being taken to remedy the evil. The Association also drew up a memorial which was largely signed and presented to the House of Commons, urging that if the International Conference to which the United States had invited other Governments should fail by reason of Her Majesty's Government refusing its adherence to an international arrangement for the free use in currency of gold and silver, the Government of India should be allowed a free hand for the readjustment of its currency system by the adoption of a gold standard.

4. The invitation of the United States having been accepted, an International Conference was held at Brussels at which the Government of India was represented. The Conference met on the 22nd November, and having come to no agreement, separated on the 17th December 1892, to meet again on the 30th May following, if the Governments represented agreed to such meeting. The re-assembling of the Conference was subsequently indefinitely adjourned.

5. In the meanwhile Her Majesty's Government decided to appoint a Committee, presided over by the Lord High Chancellor, to consider the proposals of the Government of India for the adoption of a gold standard for India, if it should prove impossible to secure the international adoption of the double standard. The Committee met for the first time on the 27th October 1892, and were informed that it would be expedient to report, if possible, before the International Conference met at Brussels. Their report, however, was deferred until the 31st May 1893, by which date it had become manifest that the International Conference was not likely to meet again.

6. The practical measures which the Government of India proposed for the introduction of a gold standard were :—

- (1) the stoppage by legislative enactment of the unrestricted coinage of silver at the Indian mints; and
- (2) the grant of power to the Government of India to declare by notification that sovereigns were legal tender in India at a rate not exceeding 1s. 6d. per rupee.

7. It was not proposed that the mints should be opened to the free coinage of gold as soon as they were closed to silver, or that a ratio should be declared at once between gold and the rupee; but it was intended that the effect of closing the mints should be watched for some time, and, if it should be found that the rate of exchange was rising to an undesirable extent, that the Government should check the rise by declaring the sovereign to be legal tender at a certain rate. The highest rate which the Government of India were to be authorized to declare under any circumstances was 1s. 6d. per rupee.

8. The Committee came to the unanimous conclusion that, though there were objections which possessed weight to a gold standard in India, yet, in view of all the circumstances of the case, this course should be adopted. They proposed one modification of the scheme put forward by the Government of India. The Government of India had proposed to close the Indian mints to the unrestricted coinage of silver, to take power to declare the sovereign to be legal tender at a rate not exceeding 1s. 6d. per rupee, and to await the result of closing the mints and be guided by the experience thus obtained in deciding on future action. To these

proposals objection was taken on the ground that, if the mints were simply closed and no further steps taken, there might be a sudden and considerable rise in exchange which would have injurious consequences and excite apprehension in the public mind. The Committee therefore recommended that, as soon as the mints were closed to silver, arrangements should be made for the issue of rupees at the mints in exchange for gold at the rate of 1s. 4d. the rupee, and for the receipt of sovereigns at the Indian treasuries in payment of Government dues at the rate of fifteen rupees per sovereign. These proposals were accepted by the Government of India and approved by Her Majesty's Government, and authority was given by the latter to take forthwith the measures required to give effect to the scheme.

9. Accordingly a Bill providing for the closing of the Indian mints to the unrestricted coinage of silver for the public was introduced in the Legislative Council of the Governor General on the 26th June 1893, and passed into law on the same day as Act VIII of 1893. Executive orders were issued simultaneously providing (1) for the receipt of gold coin and gold bullion at the mints in exchange for rupees at a ratio of 1s. 4d. per rupee; (2) for the receipt of sovereigns and half-sovereigns of current weight at treasuries in payment of Government dues at the rate of fifteen rupees for a sovereign and seven and-a-half rupees for a half-sovereign; and (3) for the issue of currency notes in Calcutta and Bombay in exchange for gold coin or gold bullion at the rate of one rupee for 1s. 4d.

10. Gold has not for the present been made legal tender, and the intention to take power to declare sovereigns legal tender at any rate not exceeding 1s. 6d. per rupee has been abandoned. The making of gold legal tender and the ratio of exchange, as compared with the rupee, at which gold shall be made legal tender will be settled hereafter in the light of future experience.

11. A number of temporarily adverse influences have until now been at work to prevent the full operation of the measures taken on the 26th June. The rate of exchange which immediately rose to 1s. 4d. the rupee has fluctuated and is now very little above 1s. 3d. the rupee; but it has been prevented from falling, and has indeed been slightly raised, the rate in March and April last having fallen to nearly 1s. 2½d. the rupee. The Secretary of State has succeeded in selling since the beginning of July only an insignificant amount of bills; and the imports of silver have continued to an altogether unexpected extent. The termination of the busy trade season must be awaited before it can be stated with any confidence how long it may take for the measures to come into full operation.

12. Immediately following the closure of the mints the price of silver fell heavily from about 38s. an ounce to 31d. A large quantity of silver, amounting in value to about a million and-a-half sterling, had been shipped to India, in anticipation of the closure of the mints, between the date on which it was announced that the report of the Indian Currency Committee had been signed and the date on which action was taken by the Government of India. The Indian Exchange Banks, by whom most of the silver had been shipped, represented that the shipments were not speculative and that they had been made solely in furtherance of trade requirements, and they urged that if the silver were not admitted to the mints the sudden action of the Government would involve them in heavy loss. The Government did not consider that any useful object would be gained by enquiring whether or not the shipments were speculative; but, in view of the large amount of silver left on the hands of the Exchange Banks and of the possibility

that the stability of some of the Banks might be endangered and a commercial crisis, or at any rate great stringency in the money market, might be created if, as was likely, the Banks should find themselves unable to sell the silver, the Government offered to consider favourably the cases of *bonâ fide* shippers of silver in transit to India on the 26th June 1893 in such a way as to protect them from any considerable loss. It was subsequently decided to accept the silver and to pay for it the price actually paid by the Banks, converted into rupees at the telegraphic rate of exchange on the day of payment. On this basis 7,130,399 ounces of silver, value £1,133,610, were taken from the undermentioned Banks:—

	Ounces.	£
National Bank of India, Bombay	2,620,266	416,324
Mercantile Bank of India, Bombay	1,954,965	310,910
Chartered Bank of India, Australia, and China, Bombay	1,126,510	179,115
Chartered Bank of India, Australia, and China, Calcutta	234,482	37,375
Hongkong and Shanghai Banking Corporation, Bombay	1,161,527	184,667
Hongkong and Shanghai Banking Corporation, Calcutta	32,649	5,219
TOTAL	7,130,399	1,133,610

13. Owing to the fall of exchange subsequent to the issue of the orders allowing the receipt of this silver at the mints, payment was made to the Banks at the average rate of 1s. 3·053*d*. The amounts paid to the Banks aggregated Rs. 1,80,73,259; but if they had received the mint outturn, as claimed by them, they would have received Rs. 1,87,84,317. They received therefore Rs. 7,11,028, or 3·78 per cent., less than they would have got if the mints had been open.

CHAPTER III.

INCOME TAX.

1. In 1889 and 1890 an attempt was made to assess to income tax the profits on goods consigned to an agent in India for sale. Objections were raised in several quarters, and after considerable discussion the attempt was abandoned in view of the difficulties involved. Attempt to levy income tax on profits on goods consigned to an agent in India for sale.
2. During those discussions some public bodies raised general objections to the income tax and proposed its abolition. The objections were answered and the proposal negatived. Objections to the income tax, and prayer for its abolition.
3. In 1887, 1888, and 1889 it was decided that the whole of a salary paid for services rendered in British India is liable to income tax, although a portion of the salary may not be paid in India. Levy of income tax on salaries accruing or arising in British India, though not paid there.
4. The general question of the liability of foreign Consuls to Imperial and Municipal taxation having been raised, the following decisions were adopted :—
 - (a) Income tax should not be levied on the official salaries and fees of foreign Consuls or on the income derived by any class of Consular employés from their own Government. Question of the liability of foreign Consular officers and Consular subordinates in India to Imperial and Municipal taxation.
 - (b) Consuls are not exempt from the payment of customs duties, although an exception was made in favour of the Turkish Consul General at Bombay in 1872.
 - (c) Nor should they be exempted from the payment of municipal taxes. Exemptions have been granted to the Turkish and Persian Consuls General for certain reasons, but the matter should be reconsidered when the present Turkish Consul General is replaced by another officer, and if on such reconsideration the concessions be withdrawn from the Turkish Consul General, they should also be taken away from the Persian Consul General.
5. The numerous rules and orders issued under the Income Tax Act, II of 1886, which were scattered over nineteen different notifications, were amended, consolidated, and published in June 1890 in two notifications. Consolidation of rules under the Income Tax Act.

CHAPTER IV.

PROVINCIAL FINANCE AND GRANT FOR FAMINE INSURANCE.

Continuance of the financial relations between the Imperial and Provincial Governments.

1. The revision of the financial arrangements between the Imperial and Provincial Governments, which had been under consideration in the closing months of Lord Dufferin's Viceroyalty, was taken up upon Lord Lansdowne's assumption of office. After careful consideration, however, the arrangements were allowed to continue without modification; but, for the purpose of relieving immediate financial difficulties, contributions were levied from all the Local Governments, except the Punjab, amounting to Rx. 740,000, of which Rx. 200,000 from the North-Western Provinces and Oudh and Rx. 50,000 from Lower Burma, were made permanent. At the same time the re-imposition of the Patwari cess in the North-Western Provinces was sanctioned.

Provincial Contract with Burma.

2. In March 1887 a provisional Provincial Contract was sanctioned for Lower Burma for 1887-88, which was continued without modification in 1888-89. A modified arrangement, resulting in the resumption of a grant-in-aid from Imperial Revenues of Rx. 47,900, which was sanctioned for the year 1889-90, was continued for the two following years.

Baluchistan quasi-Provincial arrangements

3. In the course of 1890 the Agent to the Governor General was vested with the powers of a Local Government in respect of (1) the expenditure on all the Police and Levies in the Baluchistan Agency; (2) the administration of the Bori, Khetran, and Zhob Valleys; (3) the expenditure on the Zhob Levy Corps; and (4) the revenue and expenditure of the Quetta district under certain heads. All these separate arrangements were subsequently consolidated with certain modifications into one arrangement which will remain in force for four years beginning with 1893-94.

Revision of the Provincial Contracts with Local Governments and Administrations.

4. The quinquennial Provincial Contracts with the Local Governments and Administrations framed in 1887 terminated on the 31st March 1892; and new contracts were framed on the same general lines as the preceding ones with certain minor modifications. A general Resolution was also issued consolidating all the previous orders on the subject of the powers of Local Governments and of the general terms of the contracts, with the omission of those of which the continuance in force was not considered desirable. All previous orders being superseded, the whole of the terms of the contract with each Province are contained in that general Resolution and in the special Resolution stating the figures and conditions for the particular Province. The financial effect of the revision of the contracts was the resumption by the Government of India of Rx. 466,300 per annum from Provincial Governments.

Question of extending the period of Provincial Contracts.

5. In connection with the Bengal Contract, a question was raised by the Local Government as to whether it was possible to extend the term for which the Provincial Contracts run, or give them in some way greater permanence. It was decided that the consideration of the proposal should be postponed.

Modification of the Assam Provincial Contract of March 1892.

6. The new contract with Assam was slightly modified in March 1893 in connection with a representation from the Chief Commissioner regarding the increase of the Lushai charges, and in view of the increase from 1893-94 of the Land Revenue receipts from the revision of settlements of the Assam Valley Districts.

Restoration of the Famine Insurance Grant.

7. The improvement in the financial prospects in 1890 enabled the Government to partially restore the Famine grant, in 1889-90 and 1890-91. In the Budget Estimate of 1891-92, the grant was raised to the full sanctioned amount of Rx. 1,500,000, and the same provision has been continued in subsequent years.

CHAPTER V.

PROVISION OF FUNDS FOR RAILWAYS AND DEFENCE WORKS.

1. In August 1889 a forecast of railways and irrigation works to be taken up during the three years 1890-91 to 1892-93 was framed, providing for a capital outlay in each year of 350 lakhs, and it was forwarded to the Secretary of State in October 1889.

Forecast of capital expenditure for the three years ending 1892-93.

2. Owing to an improvement in the financial outlook, a revised forecast of capital expenditure for the four years from 1890-91 to 1893-94 was prepared by the Government of India and forwarded to the Secretary of State in a Despatch No. 36 (Railway), dated the 25th March 1890. This forecast provided for an expenditure of 375 lakhs in 1890-91, 450 lakhs in 1891-92, and 500 lakhs in each of the two succeeding years.

Revised forecast of railway construction from 1890-91 to 1893-94

3. In Secretary of State's Financial Despatch No. 131 of 3rd July 1890, it was laid down that expenditure up to the extent of 350 lakhs only should be shown in the accounts as not charged to Revenue, and that any additional outlay should be charged either to the Famine grant, or to an ordinary head of expenditure charged against Revenue, according as the expenditure is incurred on protective works or not.

Decision of the Secretary of State regarding provision and adjustment of capital expenditure.

4. This decision of the Secretary of State prevented the Government of India from preparing the forecast for 1892-93 for 500 lakhs, the amount originally proposed in the Despatch of 25th March 1890, and the exact effect of the decision was fully explained in Government of India Financial Despatch No. 302, dated the 28th October 1891, with which a new forecast for 1892-93 was submitted, placing the total capital expenditure in that year at 463 lakhs.

Effect of the above decision on the forecast for 1892-93.

5. The maximum limit of Capital expenditure not charged to Revenue was waived as a special case in 1892-93 to provide for the expenditure on the Barcoilly-Rampore-Moradabad Railway and on the Jherria Extension of the East Indian Railway.

Fixed limit of Capital expenditure not charged to Revenue waived in 1892-93.

6. In a Despatch to the Government of India, No. 103, dated the 16th June 1892, the Secretary of State authorised the Government of India to exceed the limit of 350 lakhs for capital expenditure from borrowed funds to the extent of 50 lakhs, provided the additional amount was supplied to enable Companies to undertake new lines of railway and extensions.

Annual increase of 50 lakhs in the capital expenditure sanctioned by the Secretary of State.

7. The Government of India were unable in 1893-94 to act upon the permission to increase the capital expenditure, and the forecast of capital expenditure for that year was prepared for 473½ lakhs only.

Inability of Government to avail of the sanction in 1893-94

8. In reviewing the Financial Statement for 1893-94, the Secretary of State again addressed the Government of India on the subject of the additional 50 lakhs to be allotted for construction of railways by Companies. The Government of India recommended to the Secretary of State that in future a fixed grant of 500 lakhs should be made available every year for capital expenditure, and that in addition to this grant the lapses from the Budget grant of any one year should be re-granted for expenditure in the following year. The Secretary of State has negatived those proposals in a telegram, and directed that the forecast for 1894-95 should be prepared in accordance with the existing orders.

Recent developments.

9. The scheme for the completion of the Coast and Frontier defences has made steady progress during Lord Lansdowne's administration. Revised estimates of expenditure on account of the defence works were prepared, and the Secretary

Special Defence works.

of State's sanction was given in His Lordship's Military Despatches Nos. 91 and 1, dated the 30th April 1890, and 8th January 1891, respectively, to a total expenditure for this purpose of 508 lakhs of rupees. The expenditure on these works up to 1892-93 amounted to Rx. 3,965,873, and Rx. 1,061,127 remain to be spent in future years to exhaust the total sanction of Rx. 5,030,000.

CHAPTER VI.

PUBLIC DEBT.

1. In 1889-90 a 4 per cent. loan of 200 lakhs of rupees was raised at an average rate of R99-14-11·49 per hundred rupees; in the three following years there were no loans, and in 1893-94 a loan of 350 lakhs, bearing interest at the rate of $3\frac{1}{2}$ per cent., was raised at an average rate of R96-3-2·53. About 130 lakhs of the loan raised in 1893-94 were required to pay off the outstanding balance of the $4\frac{1}{2}$ per cent. loans of 1878 and 1879. Rupee loans in the open market.

2. In addition to rupee loans raised in the open market, the Government of India have received a loan of 47 lakhs from the Rampur State to meet the larger portion of the outlay on the Rampore-Moradabad Railway of which the Durbar desired the construction. The loan bears interest at 4 per cent., and is repayable at one year's notice after 25 years. Loan from the Rampur Durbar.

3. In June 1890, the holders of the $4\frac{1}{2}$ per cent. loans of 1878 and 1879 were given the option of transferring their holdings into 4 per cent. stock by the 30th December 1890. The offer of conversion was again renewed in June 1892; and the total value of the notes converted on the two occasions was Rs. 19,140,000, leaving a balance of about 136 lakhs. On the 14th July 1893, simultaneously with the issue of the Notification inviting tenders for the $3\frac{1}{2}$ per cent. loan, this balance was notified for discharge on the 14th October 1893. Conversion and discharge of the $4\frac{1}{2}$ per cent. loans of 1878 and 1879

4. During the five years of Lord Lansdowne's administration, loans for Sterling loans. £16,100,000 were raised in London by the Secretary of State. Of the total amount raised, £7,471,484 were required for advances to Railway Companies, £3,933,837 for discharge of Railway Debentures, £3,221,731 for the purchase of the South Indian Railway, and £1,472,948 for discharge of India Debentures. In addition to these, the temporary failure of Council Bills after the 26th June 1893, necessitated the issue of India Bills for 3½ millions repayable in six months and of India $3\frac{1}{4}$ per cent debentures for £1,386,000. Arrangements have also been made for a temporary loan up to five millions from the Bank of England in case it is required

CHAPTER VII.

LOANS TO LOCAL BODIES.

Revision of the relations between the Imperial and Local Governments in regard to the grant of loans and advances.

Grant of loans to District Boards.

Advances for the Kidderpore Docks at Calcutta.

1. Rules were prescribed in Financial Resolution No. 13, dated the 1st January 1889, for the working of the scheme to enable Local Governments to make advances and loans for local improvements, which took effect from the 1st April 1888; and at the same time the rules regarding the grant of loans to local authorities under the Local Authorities Loans Act, 1879, and the rules regarding the raising of loans by local authorities in the open market, were revised.

2. The only modification made during the last five years in the rules for the grant of loans to local bodies was one of January 1890 allowing Local Governments to grant loans to District Boards, District Councils, and anybody having like authority beyond the local limits of municipalities and cantonments.

3. The arrangement under which the Government of India undertook to provide funds for the construction of the Kidderpore docks at Calcutta and the extension of the Victoria docks at Bombay was explained in the summary of the principal measures of the Viceroyalty of the Marquess of Dufferin and Ava. The former of these projects was originally estimated to cost, when complete, two crores of rupees; but in May 1892 the Port Commissioners estimated Rx. 2,823,991 as the final cost of the docks. The Government of Bengal recommended that this estimate should be sanctioned, and as the docks had failed to attract the traffic expected, further proposed that Rx. 53,065, on account of the half year's interest due on the 1st November 1892 to Government, but which the Port Trust was unable to pay, should be added to the capital cost of the docks. The Government of India agreed to this proposal after it had been shown that the Port Commissioners had been unable to fully utilise the docks, that they had done what they could do to redress their financial position by the imposition of port dues and landing and shipping dues, and that they would not be able to tide over their difficulties unless they were allowed to charge to capital account the interest due up to the 31st December 1892.

4. The docks were practically completed and opened for traffic in March 1892, but as, the graving dock excepted, they had not been resorted to by the shipping, the Government of Bengal, in April 1893, proposed to the Port Commissioners that Rx. 40,000 of the interest on the dock loan due by them on the 1st May 1893 might remain unpaid without interest for two years, provided that they would undertake to keep the docks fully open for traffic until the 1st July 1894, and to make and maintain until that date efficient arrangements for dealing with all the export trade of the port which can be economically dealt with at the docks. The offer was approved by the Government of India in May 1893.

5. The Kidderpore docks, though now fully ready for use, have not as yet been used to anything approaching the full extent of their capacity; and the measures to be adopted in view of this state of things are now under consideration.

Advances for the Victoria Docks at Bombay.

6. As regards the Victoria docks in Bombay, the advances made to the Trustees of the Port up to the 31st March 1893, with discount thereon, amount to Rx. 908,623. In the estimate for 1893-94 provision has been made for a further advance of 4 lakhs of rupees. The total sum which the Government of India undertook to advance for the Victoria docks is 94 lakhs of rupees plus discount.

7. The Government have also undertaken to advance money for the completion of the harbour at Madras. According to the provisions of section 29 and the estimate given in schedule B of the Madras Harbour Trust Act, II of 1886, the Government advanced for this work Rx. 465,464; but this sum having proved insufficient to complete the harbour, it was decided in June 1891 to make further advances. Eight lakhs were advanced in 1891-92, $1\frac{1}{2}$ lakhs in 1892-93, and in 1893-94 the amount required is estimated to be $4\frac{1}{2}$ lakhs of rupees. Advances for
Madras Harbour.

8. In May 1891, the Government of India decided to grant to the Cooch Behar State a loan not exceeding eight lakhs of rupees repayable, with interest at 4 per cent., by annual instalments of one lakh, for the construction of a railway from Gitaldah on the Dharlla river to the town of Cooch Behar. Cooch Behar
Railway Loan.

9. In May 1892 it was decided to grant a loan of Rx. 65,000 on account of the Secunderabad Water Works. Twelve months later sanction was given to the grant of an additional loan in 1894-95 of Rx. 10,800. Interest will be paid at the rate of $4\frac{1}{2}$ per cent. a year, and the principal will be repaid with interest by equal annual instalments in 30 years. Secunderabad
Water Works
Loan.

10. In the middle of 1892 it was decided, on the recommendation of the Government of the Punjab, that some assistance should be rendered to the Simla Municipality to enable them to provide at an estimated cost of Rx. 58,734 for an efficient supply of water and for the extension of sewerage works. It was settled that a free grant of Rx. 28,734 should be made to the Municipality half from Imperial Revenues and half from Provincial Funds, and that a loan of three lakhs of rupees should also be granted on account of the works. The Government of India further agreed to consolidate the new loan and the amounts outstanding on the 1st January 1892 on account of the Municipality's previous loans from Government in a single loan of Rx. 94,500, bearing interest at the rate of 4 per cent., and repayable in 30 years by equal annual instalments of Rx. 5,500. Grant and loan
to the Simla Muni-
cipality.

11. When Lord Lansdowne assumed charge of the Government, one of the cases then under consideration was a memorial addressed to the Secretary of State in which the Municipal Corporation of Bombay appealed against the orders of the Government of India limiting to 40 years the period within which the loans raised by that body in the open market for the Tansa Water Works should be repaid, and requested that the period might be fixed at 60 years. After considerable discussion the Corporation finally requested in 1891, in modification of its previous representations, that the period of repayment of the fifth instalment of 25 lakhs of the Tansa loan might be extended from 40 to 50 years, and that the period of repayment of the sixth instalment of 25 lakhs which the Corporation was yet to borrow for the Tansa Water Works, might be fixed at 60 years. In view of all the circumstances of the case, the Government of India accepted these modified proposals. Period of repay-
ment of Tansa
Water Works Loan
of the Bombay
Municipality.

CHAPTER VIII

OPIUM DEPARTMENT.

1. The principal events of interest during Lord Lansdowne's Viceroyalty in connection with the administration of the Opium Department were (1) the investigation of the conditions under which opium is consumed in India, undertaken in consequence of a memorial submitted by the Society for the Suppression of the Opium Trade, (2) the measures adopted for the prohibition of consumption in Burma, and (3) the appointment of a Royal Commission to inquire into the various allegations made in recent years regarding the use of opium in India and the trade in the drug with China.

Consumption of
opium in India.

2. In the memorial from the Society for the Suppression of the Opium Trade it was alleged that the Society had received information from different quarters tending to show that in various parts of India the consumption of opium was on the increase, and that the houses licensed for the smoking of opium and its products on the premises were the cause of great demoralisation in many of the towns of India. The memorialists further drew attention to what they considered a serious danger, namely, that the opium habit should spread throughout Her Majesty's dominions in India. The reports of the Local Governments and the facts and figures collected by the Government of India showed that the Society's assertions were without foundation.

Abolition of the
system of
minimum guaran-
teed vend in the
Bombay Presidency
and prohibition of
the consumption of
opium and its
preparations on the
premises of licensed
shops.

3. In connection with the inquiry made on the receipt of the memorial, two important changes were ordered by the Government of India in 1891—the first was the abolition of the system in the Bombay Presidency under which the opium farmer had been required to pay duty in each year on a certain minimum quantity of opium, even though his actual sales fell short of that minimum; the second was an order prohibiting the consumption of opium and its preparations on the premises of licensed shops.

Prohibition of the
use of opium by
Burmans in Lower
Burma.

4. The Chief Commissioner of Burma proposed in February 1891 to prohibit the sale of opium to, and the possession of opium by, Burmans in Lower Burma. The Government of India doubted the expediency of this measure, but intimated their willingness to sanction the proposal if they were convinced (1) that the evil to be removed was as great as was depicted, (2) that it would be practicable to enforce the prohibition, and (3) that the enforcement of the prohibition would not entail, and be accompanied by, evils as great as that which it was desired to remove. After a further enquiry Sir A. Mackenzie proposed that every opium shop in both Provinces should be closed to Burmans and non-Burmans alike. Mr. Fryer, who succeeded to the Chief Commissionership, however, expressed a very decided opinion that total prohibition could not be made effectual. He considered that the system in force in Upper Burma had worked well, and had had the effect of restricting the use of opium by Burmans. He was, therefore, averse from altering it. As regards Lower Burma, he recommended (1) that possession by and sale to Burmans might be made illegal, as in Upper Burma, habitual opium consumers of Burman race being supplied with opium from licensed shops under a system of registration, (2) that non-Burmans should be allowed to procure opium as before, and (3) that they also should be registered, in order to enable the Government to check the consumption of shops. Proposals (1) and (2) were sanctioned, but proposal (3) was negatived; and rules embodying the important changes involved have been issued.

5. A Royal Commission was appointed in July 1893, in compliance with a Resolution of the House of Commons, to inquire into the following matters:—

Appointment of a Royal Commission on Opium.

- (1) Whether the growth of the poppy and manufacture and sale of opium in British India should be prohibited except for medical purposes, and whether such prohibition could be extended to the Native States.
- (2) The nature of existing arrangements with the Native States in respect of the transit of opium through British territory, and on what terms, if any, these arrangements could be with justice terminated.
- (3) The effect on the finances of India of the prohibition of sale and export of opium, taking into consideration—(a) the amount of compensation payable; (b) the cost of the necessary preventive measures; (c) the loss of revenue.
- (4) Whether any change short of total prohibition should be made in the system at present followed for regulating and restricting the opium traffic and for raising a revenue therefrom.
- (5) The consumption of opium by the different races and in the different districts of India, and the effect of such consumption on the moral and physical condition of the people.
- (6) The disposition of the people of India in regard to (a) the use of opium for non-medical purposes, (b) their willingness to bear in whole or in part the cost of prohibitive measures.

The Commission is now engaged in hearing evidence in India.

6. Among minor matters affecting the opium administration from 1888 to 1893, the following may be noticed.

7. It was decided in August 1889 to allow Native States in the Punjab a supply of opium free of duty, and a procedure was prescribed to give effect to the measure, the object of which was to obtain the co-operation of the Native States in the suppression of illicit traffic in opium.

Supply of opium free of duty to Native States in the Punjab.

8. In 1889 the conclusion was adopted that the average annual production of opium in the Behar and Benares Agencies was sufficient to provide for the sale annually of 57,000 chests for export, and it was decided that this quantity should in future be taken as the normal quantity to be sold each year, subject to modification in any year with reference to the outturn of previous seasons and to the state of the reserve for which 30,000 chests were named as the normal amount. Up to 1891 the quantity of provision opium sold each year was 57,000 chests. In 1891 the sales were reduced to 54,000 chests, this being considered to be the normal annual quantity likely to be produced under the orders in force regarding the price paid to the cultivators and the area under cultivation. Owing to a succession of bad seasons, it became necessary to reduce the sales in 1892 to 51,426 chests, and in 1893 to 43,704 chests. The sales to be held during 1894 have been fixed at 42,300 chests. Even these reduced sales have been rendered possible only by absorbing the whole reserve. It has not been thought desirable to adopt any special measures to extend the area of cultivation.

Annual sale of Bengal provision opium.

9. Under a convention which dates from 1815, the French Government has the right to purchase not more than 300 chests of opium each year. This right has been commuted for a money payment which at present amounts to Rs. 5,000 a year, under an agreement, the renewal of which for five years from 1st January 1894 has recently been sanctioned.

Agreement with the French Government for an annual payment of Rs. 5,000 in commutation of its right to purchase 300 chests of opium each year.

Reduction of
duty on Malwa
opium exported
by sea.

10. The duty on opium imported by land into the Presidency of Bombay, for export by sea from the Port of Bombay, was reduced by R50 a chest, with effect from the 5th July 1890, making it R625 a chest on opium weighed at Ajmere, and R600 a chest on opium weighed elsewhere.

Extension of the
Opium Act to
Baluchistan.

11. In 1890, the Opium Act, I of 1878, was extended to British Baluchistan and the territories administered by the Agent to the Governor General in Baluchistan, and certain rules were issued under the Act, thus bringing under regulation and control the importation and sale of opium in those territories.

Increase in the
Treasury selling-
price of opium in
Assam.

12. The Treasury selling-price of opium in Assam was raised from R32 to R37 a seer with effect from the 1st April 1890.

Opium saloons in
the Akyab District

13. The existence of a large number of opium saloons in the Akyab District was brought to the notice of the Government in 1891 in connection with a question in the House of Commons. After an enquiry into the matter the Government of India reported in Despatch No. 200, dated 26th July 1892, that the consumption of opium in private houses by groups of consumers in company was not a practice with which the Government could interfere, unless and until the possession and consumption of opium by the persons who assembled together was made illegal.

Question of
suppressing
unlicensed opium-
smoking
establishments.

14. The fact that under the existing law the authorities have no power to prohibit or prevent the use of unlicensed premises as a place of resort for smoking opium was more fully explained to the Secretary of State in connection with a report called for by His Lordship regarding the issue of a confidential circular by the Excise Commissioner of the North-Western Provinces and Oudh on the subject of opium-smoking dens in those Provinces. The Secretary of State thereupon, in Despatch No. 35 (Revenue), dated 16th March 1893, asked for an expression of the views of the Government of India as to whether the law ought not to be strengthened, so as to enable the Government to take legal steps for suppressing such establishments. In Despatch No. 162, dated 30th May 1893, the Government of India replied that it was not desirable to alter the law in the direction proposed for the present.

CHAPTER IX.

SALT DEPARTMENT.

1. In 1888 the centralisation of the control of the Salt Department throughout India under one Director was suggested. This proposal had been made before, and though there were certain advantages to be expected, it was finally decided that it was best on the whole that the responsibility of the Governments of Bombay and Madras in the levy and collection of the revenue should be maintained unimpaired.

Proposal to centralise the control of the Salt Department under one Director abandoned

2. During the same year the Indian Salt Act of 1882 was extended to the Bhagalpur Division of Bengal and to Calcutta and its suburbs, the extension being made with the object of securing greater efficiency in the control of salt-petre refineries whence much edible salt was put on the market without payment of duty. The Commissioner of Northern India Salt Revenue, who already exercised jurisdiction over the Patna Division, was invested with jurisdiction in these places, and rules were framed under the Act for regulating the manufacture of saltpetre therein.

Extension of the Indian Salt Act, 1882, to the Bhagalpur Division, and to Calcutta and its suburbs.

3. The duty on salt in Burma was raised from three annas to one rupee per maund in the beginning of 1888. Following on the increase, there was an immediate decline in the imports of salt from Europe and a large increase in the imports of salt-fish into Burma from the Straits. The Burmese curers of salted fish (*ngapi*) represented that these imports were injuriously affecting their industry, and there was reason to believe also that the local manufacturers of salt in Burma had largely increased their production since the increase of the duty, owing to the loose system of assessment and composition for duty in force in the province, in effect protecting them in competition with imported salt. After a careful enquiry into the whole question by an officer of the Northern India Salt Revenue Department, deputed to Burma in March 1889 for the purpose, it was decided that the object to be aimed at was the complete suppression of the local manufacture of salt, but that it was inadvisable to attempt it in the existing state of the province; and that it would be best to proceed gradually by raising the composition duty, which would have the effect of increasing the revenue and of preventing at the same time the growth of the industry. In this view a material enhancement of the rates of composition from the 1st July 1890 was sanctioned, the revised rates being assumed to be nearly equivalent to a rate of one rupee per maund on the salt produced. Orders were at the same time issued that the imports of salted-fish should be watched and their effect on the fishery revenue and the consumption of salt noted from time to time.

The administration of the Salt Revenue in Burma.

4. In August 1892 the Chief Commissioner reported that the imports of wet salt fish (*ngapi*) from foreign ports were increasing very largely, and suggested that, in the interests of the local fishery and the salt revenue, the imports of salt-fish and *ngapi* should be taxed. The proposal was approved and by Act IX of 1893 power was taken to impose a duty, not exceeding twelve annas a maund, on all imports of dried salt-fish and *ngapi* (wet salt fish) into Burma from foreign ports. A notification was issued, as soon as the Act passed, imposing a duty of six annas a maund on both kinds of fish.

Proposal to levy a duty on imports of salt-fish into Burma.

5. In June 1889, the Indian Salt Act, 1882 (*i.e.*, so much of it as was in force in Lower Burma), was extended to Upper Burma, and the salt duty was fixed at one rupee for the whole of Burma.

Portion of Indian Salt Act, 1882, extended to Upper Burma.

A defect in the Bombay Salt Act, 1890, remedied by an amending Act

6. A decision of the Bombay High Court brought to notice the fact that by inadvertence the wording of section 11 of the Bombay Salt Act, 1890, which prohibited unlicensed manufacture, had been made too comprehensive. A proviso was therefore in 1892 added to the section to the effect that no license shall be necessary for any process of manufacture of salt on which duty has been paid.

System of indenting for salt through the Post Office and through the officials of the Indian Midland Railway

7. In the Northern India Salt Department a system has long been in force under which traders living at stations distant from Sambhar and the Punjab mines could, on payment of the duty and price at the nearest treasury, obtain salt from those sources, the salt being consigned to them direct by railway by the Salt Department. The system was extended to post offices as an experimental measure, with effect from April 1890, the Postal Department undertaking to receive payments for the purchase of salt, to forward indents to Sambhar, Pachbadra, and Khewra, and to deliver the railway receipts for the salt to the purchasers. The scheme was very popular with the traders. But it also had the effect of transferring to the post offices a considerable portion of the payments formerly made by traders into treasuries, the payments at some of the sub-offices being so large that their continuance could not safely be permitted. The system was therefore limited to selected post offices at places where treasuries and sub-treasuries do not exist, and traders were required to pay for the additional work caused to the Postal Department eight annas per cent. on the amount paid into post offices for the purchase of salt. These orders have resulted in the almost complete cessation of the employment of the post office for this purpose, but it is believed that this means merely a transfer of payments to treasuries and not any diminution in the resort to the useful through traffic system. The extension of the system to Karaghora salt has recently been sanctioned, and a similar system applied to all stations on the Indian Midland Railway where there are no treasuries or post offices authorised to receive payments on account of salt revenue, the railway station officials doing the work.

Question of the manufacture of salt on account of Government at Aden, Perim, and Zaila
Development of the salt trade from Karachi to Calcutta

8. The price of Liverpool salt having risen considerably in Rangoon and Calcutta during the year 1889 owing to the action of the English Salt Union and to a rise in freights, enquiries were instituted as to the possibility of starting salt-works at suitable places in Perim and Zaila on the Somali Coast, so as to compete with Liverpool salt. The Government of Bombay also was asked to report whether there was any reasonable prospect of the development of a regular trade in salt from Karachi to Calcutta. The results of the enquiry showed that neither Zaila nor Perim was suitable for the manufacture of salt on a large scale. There was no prospect of salt from Bombay or Madras competing effectively with Liverpool salt, owing partly to the inferior quality of the salt and partly to the lack of regular freight, nor was the zone within which Northern India salt was consumed in Bengal susceptible of extension. There were only two places, namely, Aden and Karachi, where something might be done in the direction of cheapening prices in Calcutta and Rangoon. From Aden a good supply of excellent salt might be obtained in order to compete successfully with Liverpool salt, but nothing can be done there until the present monopoly of the Italian Company expires in 1895. A large supply might also be made available if the Moach works in Karachi were extended, but the cost of such extension and the freight difficulty are insuperable obstacles. A merchant has recently offered to undertake the export of salt to Calcutta from Sirganda near

Karachi, where there are extensive deposits of salt of good quality. The precise terms on which the manufacture is to be undertaken have recently been settled by the Government of Bombay and approved by the Government of India.

9. In accordance with the recommendation of a Commission appointed in 1876 to enquire into the system of Salt administration of the Madras Presidency, a system of Excise was introduced in 1882 to be gradually substituted for the Government monopoly then existing. It was hoped that the change would result in improving the quality and cheapening the price of salt to the consumer by creating effective competition, but these hopes were disappointed. To remedy this some factories for the direct manufacture of salt by Government have been established, and the Local Government are now endeavouring to control prices by forming in suitable centres reserve stocks of salt manufactured at those factories, so that the salt can be put into the market at reasonable prices whenever the prices of Excise salt shew a tendency to rise too high. So far the effect of the measures taken has been to check the rise in prices, though no appreciable reduction in retail prices has taken place. It has been decided to continue the present policy of maintaining and enlarging Government reserves and to wait and watch events for two or three years more, when it will be seen whether any improvement has taken place, or whether more stringent measures will be necessary.

Certain evil effects of the introduction into the Madras Presidency of the Excise system of salt manufacture, and measures taken to remedy them

10. A change of great importance to the Salt trade was made in 1889 by the introduction into the port of Calcutta of Mr. Kilby's patent scales for the weighment of salt. These have been found to be much more accurate than the scales formerly in use and they effect the discharge of salt from ships so expeditiously that it has become profitable to employ steamers as well as sailing ships in the salt import trade.

Introduction of Mr Kilby's patent scales for the weighment of salt.

11. The question of controlling the illicit manufacture of salt in Orissa and the other saliferous tracts of Bengal has for some time past engaged the attention of the Government.

Question of controlling the illicit manufacture of salt in Orissa and the saliferous tracts of Bengal

12. As regards the saliferous tracts beyond Orissa, a local enquiry by an officer specially deputed for the purpose is about to be made to ascertain the extent of illicit practices and, if they are carried on upon such a scale as to require the intervention of the State for their suppression, to determine the form which the intervention should take.

13. In Orissa, although the manufacture of *panga* or earth-salt has been prohibited, illicit manufacture still continues to a considerable extent and the Salt law in force (Act XII of 1882) has been found unsuitable and the preventive establishment insufficient for the purpose of repressing such manufacture. An addition to the preventive force has recently been sanctioned and the question of applying to Orissa the Madras Salt law, which is better suited to the conditions of that Province, has been proposed to the Government of Bengal.

CHAPTER X.

EXCISE DEPARTMENT.

General Excise
policy.

1. In April 1888 the House of Commons passed a Resolution condemning the Excise policy of Government and alleging that the system afforded great facilities for the spread of drunkenness among the people. The charges were fully dealt with in the Despatch from the Government of India, No. 29, dated the 4th February 1890, in which it was shown that the evidence on which the statements in the House of Commons had been based was generally conflicting, incorrect, or exaggerated, or referred to a state of things which had ceased to exist.

Duty on beer.

2. In March 1890 an Act, called the Excise (Malt Liquors) Act, was passed authorising the levy of an Excise duty on beer brewed in India, at a rate not exceeding that leviable on imported beer under the Indian Tariff Act. The question of raising the import duty on beer from one anna to two annas a gallon was at the same time considered and dropped.

Ganja and Hemp
drugs.

3. In reply to an enquiry made by the Secretary of State at the instance of Mr. (now Sir) Mark Stewart, M.P., in July 1891, relating to the expediency of prohibiting the use of ganja in India, the Government of India, in Despatch No. 212, dated the 9th August 1892, pointed out that the absolute prohibition of the use of the drug would be impracticable, and observed that it was unnecessary to do more than to persevere in the policy which had hitherto been followed, namely, to endeavour, whenever it might be possible, to discourage the consumption of the drug by placing restrictions on its cultivation, preparation, and sale, and by imposing on its use as high a rate of duty as could be levied without inducing illicit practices. In March 1893, at the instance of Mr. W. S. Caine, M.P., the Secretary of State directed the appointment of a Commission to enquire fully into the cultivation of the hemp plant in India, and the manufacture and consumption of hemp drugs. The Commission is now engaged on the enquiry.

Appointment of an
Excise
Commissioner and
other additions
to the Excise
establishment in
Bengal.

4. The appointment of a separate Excise Commissioner for Bengal was sanctioned by the Secretary of State in March 1889. The office was eventually made permanent, and placed on the same footing as in the other Provinces of Northern India. In 1889, twenty-one special Deputy Collectors were sanctioned by the Secretary of State for the better supervision of Excise work. A further improvement was effected in 1892 by the re-organisation of the subordinate establishment.

Extension of the
Central distillery
system in Bengal.

5. On a report submitted by Mr. Buckland, who had been deputed in 1888 to study the systems of Excise in Bombay and Madras, the Lieutenant-Governor decided to replace outstills by central distilleries in all places, except where special circumstances rendered this inexpedient. This policy has been vigorously carried out by the Government of Bengal.

Excise administra-
tion in the districts
of Darjeeling and
Jalpaiguri.

6. In 1889-90 a thorough and exhaustive enquiry was made at the instance of the Secretary of State into the Excise Administration of the tea districts of Darjeeling and Jalpaiguri with reference to certain protests of the tea planters. The result showed that the charges were unfounded. The outstill system is in force in these districts, and no change was found necessary in this respect.

Amendment of the
Excise Act, XXII
of 1881.

7. An Act was passed in September 1893 amending the Excise Act, XXII of 1881, so as to allow (1) the levy of different rates of duty according to the places

to which spirit manufactured in a distillery is issued for consumption, and (2) the levy of duty upon excisable articles imported by land from beyond the limits of India into British India.

8. In order to check the excessive consumption and illicit distillation of liquor in the Thana and Kolaba districts, an Act was passed by the Bombay Legislative Council in 1892 restricting the possession and sale of Mhowra flowers which are used for distillation in these localities.

Law restricting the possession and sale of Mhowra flowers in the Thana and Kolaba Districts.

9. In the Madras Presidency the tree-tax system of toddy revenue, which was introduced experimentally into certain parts of the Malabar district in 1886, was in force at the end of 1891-92 throughout the South Canara district, in the Madras town circle, and in fifty-eight talukas in other districts. The system has proved a great success.

Tree-tax system of toddy revenue in the Madras Presidency.

10. In Burma outstills have been gradually abolished, and the central distillery system introduced. At the end of 1892-93, the number of outstills was 36 in Lower and 14 in Upper Burma.

Extension of the central distillery system in Burma.

11. In the North-Western Provinces and Oudh the still-head duty was until 1891 levied at a uniform rate on all liquor passed out of distilleries irrespective of strength. A varying scale of still-head duty was introduced, with effect from the 1st October 1891, under which R1 is levied on liquor between 48° and 52° under-proof, and R1-8 on liquor between 23° and 27° under-proof, the issue of liquor stronger than 23° under-proof, or weaker than 52° under-proof, being prohibited.

Introduction of a varying scale of still-head duty in the North-Western Provinces and Oudh.

12. In January 1889, the Secretary of State forwarded for consideration five letters from tea-planters in Assam, written in reply to a circular from Messrs. Finlay, Muir & Co., Agents in Calcutta for certain tea gardens, in which the writers complained of the way in which outstills and liquor shops had been opened, sometimes in spite of the planters' protests, close to or upon tea gardens; and in which they further stated that the facilities for drinking, the evil of drunkenness among the garden labourers, and the drink revenue had all greatly increased during the last few years. The reports received from the Chief Commissioner showed that the accusations brought against the Excise administration in the tea-districts were for the most part unfounded and in all cases exaggerated.

Excise administration in the tea-districts of Assam.

13. In a Despatch, dated the 27th March 1890, the Secretary of State desired the Government of India to consider whether it would not be possible to introduce the central distillery system more generally into the Central Provinces, especially as that system had been reported to work well in the adjacent district of Khandesh, in Bombay. The matter was carefully investigated and reported on by the Chief Commissioner in 1891. In Despatch No. 175, dated 30th June 1891, the Government of India reported that the guaranteed minimum system introduced into Khandesh at the beginning of 1888 was still in an experimental stage, and that this short experience of its working and results would not yet justify the introduction of the same system in the Central Provinces.

Excise administration in the Central Provinces.

14. In the Hyderabad Assigned Districts the farming system is in force, but the Bombay guaranteed minimum system is being introduced in two districts as an experiment. At the same time, in order to ensure stricter supervision over Excise matters, the appointment of a Special Assistant to the Commissioner has been sanctioned.

Excise administration in the Hyderabad Assigned Districts.

CHAPTER XI.

Post Office

Power of Her Majesty's Postmaster General over postal arrangements and conventions between India and foreign countries

1. Her Majesty's Postmaster General having a statutory right to grant or withhold sanction to all Postal Conventions by British Colonies or Dependencies with foreign countries, it was decided, after consideration in 1888 and following years, that the Government of India should conduct the preliminary correspondence with foreign countries regarding such arrangements with those countries, and submit the final result to the Secretary of State for the sanction of Her Majesty's Government; and that, when Her Majesty's Postmaster General deemed it necessary to exercise his statutory power in matters in which India was concerned, such action should be taken through the India Office.

Insurance of parcels between England and India

2. A system of insurance for parcels between the United Kingdom and India was introduced with effect from 1st November 1889.

Reduction of postage on parcels from India to Ceylon

3. The rate for parcels from India to Ceylon was reduced to that levied on Indian inland parcels, with effect from the 1st January 1890.

Alteration of the day of departure of the homeward mails from Bombay.

4. In July 1889 alterations were proposed in the day of departure of the English mail from Bombay in order to suit the convenience of the Australian Governments. It was finally settled to have from May 1890 a Friday evening departure during the monsoon and a Saturday departure at 2 P.M. during the fair season.

Changes in the conditions of issue of inland money-orders

5. In 1889 the maximum limit of a single money-order was raised from Rs. 150 to Rs. 600 the rates of commission were slightly altered and the rule prohibiting the issue of more than four money-orders in any one day for one remitter and payable to the same person was withdrawn.

Policy of the Government of India with respect to postal arrangements in Native States.

6. As the political and commercial relations of the British Government with Native States grow closer, it becomes more and more desirable, on broad grounds of administrative convenience and public advantage, to adopt a policy of postal unity. In view of the superiority of the Imperial Indian post to any postal system now in operation in the Native States, endeavours are being made to induce Native States to adopt the Imperial post and confer on their people the many advantages afforded by it with respect to the transmission of postal articles, and by the system of money-orders and savings banks. But at the same time this policy is to be carried out in a conciliatory spirit, the feelings of the Native States being respected. The Auché postal system in Mysore (a local arrangement of an inefficient and obsolete type) was abolished and the British Imperial postal system introduced into the State from the 1st April 1889 with very satisfactory results. In the beginning popular feeling was opposed to the change, but in the first year of the new system the State officials and the general public fully appreciated its advantages, and not a single remonstrance has been received against the measure. Negotiations are now in progress with the States of Travancore and Cochin for the eventual amalgamation of their local postal systems with the Imperial post, and correspondence is also going on with the Kashmir Darbar with a similar object.

Limitation of the value for which a single letter or parcel can be insured during transit by the post

7. The absence of any limit to the amount for which a postal article can be insured having been found to offer temptations to fraud, and to impose on the Post Office too heavy a money responsibility, the value of an insured article sent by post was limited to Rs. 1,000, with effect from the 1st May 1890.

8. In the beginning of 1890 it was decided by Her Majesty's Government to reduce the rate of postage on correspondence from the United Kingdom to India and the Colonies from 5*d.* to 2½*d.* per half ounce, provided India and the Colonies consented to make a similar reduction in respect of the homeward route. In the general interests India was unable to refuse assent to a reduction of the postage from India to the United Kingdom which, it was estimated, would entail on it an annual loss of about Rs.3,80,000. Accordingly, from the 1st January 1891, the rate of postage on letters to the United Kingdom was reduced from 4½ annas to 2½ annas, and from the same date the rate of letter postage between India and Aden was fixed at 2½ annas per half ounce.

Reduction of postage on correspondence between India and the United Kingdom, British possessions, and foreign countries.

9. In view of the loss caused to India by these reductions it was arranged, in communication with the English Post Office, that India should retain the whole of the letter postage collected by her except .*d.* per letter for Continental transit (the United Kingdom similarly retaining the whole of the letter postage collected there); that instead of the sea postage hitherto credited to the English Post Office, the Indian Government should pay to that office £19,900 a year, in addition to the £40,000 a year already contributed as India's share of the loss on the Eastern mail service; and that, in order to enable India to reduce the postage rates between India and Aden, no charge should be made against India for the sea conveyance of correspondence between those places.

10. The postage on letters from British India to any British colony or possession or to any foreign country or post office comprised in the Universal Postal Union was fixed at 2½ annas, and the postage rates between India and Aden were reduced to inland rates with effect from the 1st April 1891.

11. With effect from the 1st January 1892, the postage on post cards from British India to the United Kingdom or to any British colony or possession or any foreign country or post office comprised in the Universal Postal Union was fixed at one anna for a single post card and two annas for a reply post card; the postage on packets of printed papers (including newspapers), legal and commercial documents, and samples sent from British India to any of those places was reduced to Union rates; and the postage on all classes of correspondence from Zanzibar to all parts of the Postal Union was reduced to Union rates.

12. It was arranged that the English and the Indian Post Offices should each keep its own collections on newspapers, books, and patterns, and that India should pay over to the British Post Office on homeward mails, in addition to the Continental transit rate, the sea postage on printed papers, books and patterns, amounting to £717 a year, during the term of the P. and O. Company's present contract.

Readjustment of the apportionment of the loss on the Eastern Mail Service.

13. An arrangement for the direct exchange of parcels between India and South Australia was introduced with effect from the 1st April 1890, and a similar arrangement with New South Wales was brought into operation from the 1st April 1892, and with Queensland from the 1st October 1892. It has also been arranged to introduce parcel exchanges with France, Siam, the territories of the Imperial British East Africa Company, and Persia.

Exchange of parcels between India and certain foreign countries.

14. A parcel exchange between Zanzibar and the German Protectorate of East Africa was introduced from the 1st January 1893, and the introduction of a parcel exchange between Zanzibar and Mombassa has been sanctioned with effect from the 1st October 1893.

Between Zanzibar and the German Protectorate of East Africa, and Mombassa.

15. A system of exchange of value-payable parcels between India and Ceylon was introduced from 1st January 1891.

Exchange of value-payable parcels between India and Ceylon.

Money-order exchange between India and Malta, the British East Africa Company, and Ceylon.

Representation of India at the Universal Postal Congress held at Vienna in May 1891

Legislation to punish the fraudulent manufacture, sale or use of foreign postage stamps

Termination of the Postal Convention of 1856 between England and France and admission of India to the new Postal Convention of August 1890. The Mail Ships Act, 1891.

Sale of quinine through the agency of the post office to the rural population.

Termination of the mail contract with the British India Steam Navigation Company and conclusion of a new contract for ten years with that Company.

16 In 1890, arrangements were made for the exchange of money-orders between India and Malta and the Post Offices of the Imperial British East Africa Company, and a telegraphic money-order exchange between India and Ceylon was introduced with effect from 1st May 1893.

17. The last Universal Postal Congress was held at Vienna on the 20th May 1891, and Mr. H. M. Kisch, Postmaster General of Bengal, was deputed to represent India at the Congress. The general Convention settled by the Congress was signed by Mr. Kisch at Vienna on the 4th July 1891, and was subsequently ratified by the Secretary of State. It came into operation from the 1st July 1892.

18. By article 18 of the Convention, the countries which are parties to it have undertaken to adopt or propose the necessary legislation (1) to punish the fraudulent use, for the prepayment of correspondence, of foreign postage stamps of any Union country which have been already used, and (2) the fraudulent manufacture, sale, or use of postage stamps in imitation of those issued by any of the Union countries. Steps have been taken accordingly to legislate in India in respect of both (1) and (2), and it has been decided to include the postage stamps of all foreign countries in the proposed legislation and not to limit it to the stamps of Union countries only. It has been decided also to take this opportunity to make penal the manufacture, sale, or use of any fictitious postage stamps.

19. The Postal Convention concluded between England and France in 1856 contained a clause (clause V) under which the privileges and immunities of ships of war were granted to French mail steamers in Great Britain and British possessions. The operation of the clause had given rise to difficulties, and after prolonged discussion a new Convention was finally settled and ratified on the 23rd March 1891. In it the clause mentioned has been replaced by a clause introducing a system of bonds to secure to mail steamers immunity from arrest. The Mail Ships Act, 1891, was passed by Parliament to give legal sanction to the Convention and to any similar Convention that might be made with other countries. This Act contains provisions for its application to any part of Her Majesty's dominions by an order in Council, and it also provides for carrying into effect the system of bonds, and for regulating searches for persons on board mail steamers and their arrest. An order in Council applying the Act to India has been issued.

20. With a view to place pure quinine within easy reach of the poorer village folk in Bengal, who suffer severely from malarial fever, an arrangement was sanctioned in 1892, as an experimental measure, for the sale of quinine through the agency of the Post Office to the rural population of the province, the price per packet containing 5 grains of quinine being fixed at one pice. The sanction to the experiment has been extended for another year, and the arrangement has since been extended to Assam, Burma, Madras, and the Central Provinces.

21. In 1893 notice was given to the British India Steam Navigation Company of the termination, on the 30th April 1894, of the existing contract with the Company for the conveyance of the mails in Indian waters, and the Director General of the Post Office of India was authorised to enter into negotiations for a fresh contract with the Company for a term of ten years. The terms offered by the Company having been accepted by the Government of India, a contract has been entered into for a period of ten years, the annual subsidy payable to the Company being fixed at Rs5,05,500, in consideration of which the Company has undertaken the retention, as mail services, of all the existing services with certain improvements in their character.

CHAPTER XII.

STAMPS AND COURT-FEES.

1. It was proposed by the Calcutta High Court some years ago that the fee for preparing copies supplied to applicants by Civil and Criminal Courts in Bengal should be reduced from four to three annas per folio. After full enquiry into the financial effect of this reduction, which was estimated to involve a loss of about three lakhs annually, it was decided that the reduction of twenty-five per cent. should be made from the 1st April 1890.

Reduction of the copying fee in Bengal from four to three annas per folio.

2. A similar reduction of the copying fee was made in Assam as an experimental measure for one year from 1891-92, and the reduction has since been made permanent.

Reduction of the copying fee in Assam.

3. The numerous notifications issued from time to time under the Court Fees Act of 1870 and the Indian Stamp Act of 1879, sanctioning remissions or reductions of duty under section 35 of the former and section 8 of the latter Act, were re-issued in 1889 in consolidated form. They were published in two notifications, one under each Act, in supersession of all previous notifications. The opportunity was also taken in 1891 to amend and consolidate the numerous rules issued under sections 9, 15, 17, 32, 51, and 56 of the Stamp Act, 1879, and to publish them in a single notification.

Consolidation of notifications sanctioning reductions or remissions of duty under the Court Fees Act 1870 and the Stamp Act 1879 and of rules made under the latter Act.

4. The proper duty on probates, certificates, and letters of administration is often evaded by the undervaluation of estates of deceased persons by their executors, and the question of providing some remedy against such undervaluations has engaged the attention of the Government. It has been decided not to undertake legislation at present, the provisions of the existing law being considered sufficient to meet any proved cases of intentional undervaluation.

Undervaluations of estates of deceased persons by their executors and levy of duty on probates, certificates, and letters of administration.

CHAPTER XIII

MINT.

Manufacture of copper coin required for the whole of India, solely in the Calcutta Mint.

Silver and copper coinage for the Imperial British East Africa Company.

Receipt at Government treasuries of Burmese silver and copper coins.

Reference Standards in the Assay Office in Calcutta and Bombay.

Circulation of copper coins of Native States in British India, and measures for its prevention.

Coinage of rupees for the Bikaner State.

1. In 1889, it was decided to strike at the Calcutta Mint all the copper coin required for the whole of India, instead of doing it partly at Calcutta and partly at Bombay.

2. In November 1889 the Imperial British East Africa Company enquired whether the Calcutta Mint would undertake to coin silver and copper for the use of the Company in East Africa. After some correspondence the Government of India agreed to undertake the coinage of silver and copper coins, identical in weight and fineness with British Indian coins, for the Company at certain rates of charge and on the conditions (1) that the designs on the coins, both silver and copper, must be such that the coins would not be liable to be mistaken for British Indian coins, (2) that Government retained the right to withdraw from the agreement to coin for the Company whenever it might think fit to do so, and (3) that silver for the purpose of coinage must be tendered by the Company to the mint.

3. In view to the withdrawal from circulation of silver and copper coins of Burmese mintage, the Government of India decided in May 1889 that silver coins of Burmese mintage should be received at par in the Government treasuries in Upper Burma up to the 31st March 1890 and in Lower Burma for a shorter period not exceeding two months, and that Burmese copper coin should be received at the Government treasuries up to the 30th September 1889. The arrangements for receiving Burmese rupees was continued to the 31st March 1891, and in January 1891 their receipt was permitted for a further period of one year at treasuries in Upper Burma in payment of Government demands and in exchange for current coin of British Indian coinage, a discount of one anna in the rupee (or $6\frac{1}{2}$ per cent.) being charged on them in both cases. The total amount of Burmese silver coin withdrawn from circulation to the end of March 1893 was Rx. 913,841.

4. In 1892, to provide for the accurate testing from time to time of the reference standards used at the mints, a set of irridio-platinum weights, to be used as primary standards, was obtained from England, for Bombay of 30, 20 and 10 tolas, and for Calcutta, one only of 30 tolas.

5. In September 1890, the Resident at Hyderabad forwarded reports showing that large quantities of copper coin of the States of Baroda, Holkar, and Nawanagar were circulating in the Akola district of Berar, at the rate of $16\frac{1}{2}$ annas a rupee, and that these coins were interfering with the circulation of Government coin for which there was scarcely any demand. Inquiries were made and further reports received, which resulted in orders that the public should be warned that copper coin of Native States was not recognized by Government, and would not be taken at post offices, railway stations, treasuries, or by local bodies; and in the issue in April 1893 of Notifications prohibiting the import into British India and into the Hyderabad Assigned Districts of copper and bronze coins issued by the Baroda State. Similar Notifications regarding the coin of other Native States are deferred for the present.

6. In 1891 an application from the Council of Regency of the Bikaner State to coin rupees for it under the provisions of the Native Coinage Act of 1876 was complied with on the prescribed conditions.

7. The value of the net imports of gold and silver into India and the value of the total coinage executed from those metals at each of the mints in Calcutta and Bombay from 1888-89 to 1892-93 are shown below :—

YEAR.	VALUE OF NET IMPORTS.		COINAGE.					
	Gold.	Silver.	Gold.			Silver.		
			Calcutta.	Bombay.	Total.	Calcutta.	Bombay.	Total.
	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.
1888-89 . . .	2,813,934	9,246,878	22,610	...	22,610	1,047,455	6,234,799	7,282,254
1889-90 . . .	4,615,303	10,937,875	23,050	...	23,050	1,095,861	7,455,298	8,551,159
1890-91 . . .	5,036,171	14,175,185	...	...	...	3,954,627	9,308,847	13,163,474
1891-92 . . .	2,413,792	9,022,184	24,786	15	24,801	1,479,020	4,074,954	5,553,974
1892-93 . . .	—2,812,683	12,863,569	..	...	...	2,998,018	9,698,508	12,691,526
1893-94 (eight months)	994,083	8,898,631	...	...	...	640,039	3,498,855	4,138,894

CHAPTER XIV.

PAPER CURRENCY.

1. THE two important features of the Paper Currency Department during the administration of Lord Lansdowne were (1) the rise in the note circulation, and (2) the increase of the currency reserve invested in Government securities.

Increase in the
circulation of
Currency Notes.

The following figures show the state of the note circulation at the end of each of the years 1888-89 to 1892-93 :—

	Gross circu- lation	Retired by other offices of issue.	Net circula- tion.
	Rx.	Rx.	Rx.
1888-89	15,999,626	261,813	15,737,813
1889-90	16,039,452	267,672	15,771,780
1890-91	25,934,477	244,028	25,690,449
1891-92	24,405,057	328,649	24,076,408
1892-93	26,881,219	479,400	26,401,820

2. The average net circulation at the end of each month in each of these years was as follows :—

	Rx.
1888-89	16,431,629
1889-90	16,151,496
1890-91	22,889,227
1891-92	25,436,237
1892-93	27,099,563

The sudden and great increase in 1890-91 may be attributed mainly to the circumstances attending American legislation regarding silver in 1890. In anticipation of the effects of the passage through the Legislature of the Bill authorising the Treasury to double its purchases of silver, much speculation in the metal was carried on, the price was swiftly raised, and it was imported into India in larger quantities than in any previous year, with the two exceptions of 1865-66 and 1877-78, both of them years of intense famine. The metal was thrown on the Indian market by holders in the West and in the East, who desired to unburthen themselves of their stocks while the inflation of prices continued. In India, however, there was but little demand for money; trade was for the time dislocated by the violent fluctuations in exchange, and a large proportion of the silver imported lay idle for months in the Banks, swelling their cash balances and the circulation of currency notes in which those balances are largely held. Though the importation of silver in the following year was on a reduced scale, it again very largely increased in 1892, and during the whole period and down to the commencement of the year 1893-94 money remained abnormally abundant in the Indian market and the rates of discount very low, while the Banks continued to have at their disposal supplies of silver much in excess of the demand. The note circulation consequently has remained at a high level. Though some of the increase is thus due to temporary causes, there is good reason to believe that a substantial portion of it will be permanent.

Increase of the Cur-
rency Reserve In-
vestment.

3. In view of the increase in the note circulation, the question was raised at the end of 1889 whether the amount of the currency reserve invested in Government securities under section 19 of Act XX of 1882 might not be increased from 60 to 70, or even 80 millions of rupees, with perfect safety to the convertibil-

ity of the Paper Currency, and without creating any disturbance in the money market. In April 1890 the Government of India arrived at the conclusion, after consulting the Chambers of Commerce at Calcutta, Madras, and Bombay, that the investment might be safely increased to 70 or even to 80 millions of rupees without giving cause for apprehension. The Secretary of State was requested to empower the Government of India so to amend the Currency Act as to raise the limit to 80 millions of rupees. Sanction having been received, the necessary amendment of the law was made by Act XV of 1890, and soon after the passing of the Act, the investment was increased to 70 millions by purchase of Government securities in the open market. The investment was subsequently increased in December 1891 to 80 millions by a further purchase of Government securities in the open market. The increase of the invested reserve by 20 millions of rupees has secured a saving of eight lakhs of rupees annually.

4. A practice adopted by certain firms of stamping advertisements on the reverse of currency notes was brought to notice in 1892. In order to discourage this objectionable practice, a notification was issued, warning the public that when a note disfigured by advertisements on the reverse is presented for encashment at a currency office or treasury, the holder may be put to inconvenience by payment being delayed while enquiries are made, or by his being directed to present the note at the currency office of issue. It appears that the notification has had the effect desired.

Stamping of advertisements on the reverse of currency notes.

CHAPTER XV.

STORES.

Proposal to appoint
a General Director
of Stores in India,
abandoned.

1. The Finance Committee in 1886 strongly recommended the appointment in India of a Director of Stores with the object of controlling and regulating the expenditure on them, properly utilising the stocks accumulated in various places throughout the country, and of supervising and regularising purchases whether made locally or through the India Office. In 1889 the Secretary of State repeated this suggestion as one of the measures of economy to be effected in connection with the purchase of stores. After consideration the proposal was abandoned.

Relaxation tenta-
tively of rules
restricting the local
purchase of iron
and steel work in
India.

2. The orders prohibiting the purchase in India of articles of European manufacture precluded the purchase in India of manufactured articles of iron and steel imported from Europe, which are required to be used in constructing bridges and other finished engineering structures. In consequence of representations made by the leading manufacturers and iron founders of India, the prohibitive orders were tentatively modified in June 1891, and a few selected local firms of good standing were allowed to tender for specified articles of iron and steel made up in India from imported raw material, subject to certain restrictions calculated to ensure that the articles were subjected to adequate tests and were not imported in a finished, or nearly finished state, that the price was not higher than that of similar articles imported from England, and that the quality was not inferior to that of English supplies.

CHAPTER XVI.

STATISTICS AND COMMERCE.

The Indian Ports Act, 1875, was re-enacted and passed as Act X of 1889.

Re-enactment of the Indian Ports Act.

1. In view of the desirability of having a periodical inspection of light-houses in India by professional experts, Mr. W. T. Douglass, in communication with the Secretary of State and the Board of Trade, was appointed on the special duty of inspecting Indian lights, and commenced his work in October 1889. It was finished in March 1890. Mr. Douglass's report of inspection was received through the Secretary of State in September 1890. The action taken on the report by the Local Governments shows that the inspection of the Indian light-houses by a specialist was very beneficial, having already resulted in economy and improvement in efficiency.

Professional inspection of light-houses in India periodically arranged for.

2. From the commencement of the fall in the value of silver in relation to gold it had become a practice with some shipowners and shipmasters to enter, in agreements with seamen, a clause stipulating that men paid off in India should receive their wages in rupees, at the rate of two shillings to the rupee. To protect seamen from the unforeseen effects of such agreements a Bill, at the instance of the Government of India, was introduced in August 1889 into Parliament, and passed without opposition, requiring that the payment of seamen's wages shall be made at the rate of exchange for the time being current at the place where the payment is made in any currency other than that stated in the agreement.

Practice of paying off seamen in India at a fictitious rate of exchange rendered illegal by Act of Parliament.

3. In 1890 an amending Act (53 Vict., Cap. 9) was passed in England relating to the load-line of British ships, and it was provided that the Act would apply to vessels registered in British India at the expiration of twelve months from the passing thereof. The Secretary of State, therefore, asked the Government of India to take the steps which would be necessary for carrying out its provisions. Accordingly an Act was passed in 1891, called the Deck and Load Lines Act, (XVII of 1891) applying to British India the provisions of the English Act and giving power to Local Governments, with the sanction of the Governor General in Council, to make rules as to load-line marks, seasons, and certain other matters. The rules framed under the Act have not as yet been enforced, difficulties having arisen in regard to their operation; but in the meanwhile Notifications under the Act have issued exempting native craft not square-rigged from the operation of the Act, and prescribing the fees to be levied for survey for certificates of approval of the position of a load-line disc.

Passing of the Deck and Load Lines Act, 1891, and framing of rules thereunder.

4. The Merchant Shipping law in force in India is scattered over a large number of Acts, and great difficulty is in consequence experienced by those who have to administer and to observe the law, in ascertaining what the law really is and where it is to be found. To remedy this a Bill to consolidate and amend the Indian Merchant Shipping laws was prepared and introduced in 1892 in the Legislative Council, and referred to Local Governments.

Consolidation of the Indian Merchant Shipping laws.

5. Some large questions connected with the working of the Native Passenger Ships Act (X of 1887) having been raised by the Government of Bengal, a Commission was appointed in 1890 to consider the questions raised and any other cognate matters that might be brought before it in the course of its enquiry.

Appointment of the Native Passenger Ships Commission, their recommendations, and orders thereon.

The Commission, after making local enquiries and examining witnesses, reported in February 1891. The Local Governments generally approved the conclusions arrived at, and accepted most of the recommendations made by the Commission. These recommendations may be divided into three classes, namely, (1) those involving changes in the law; (2) those involving changes in the rules made under the law; and (3) those to which effect can be given by executive instructions to Local Governments, or which merely involve requests or suggestions to the Companies engaged in the passenger trade. Such of the changes recommended in the law as were approved by the Government of India have been embodied in the Merchant Shipping Bill which has been introduced in the Legislative Council. Many of the alterations proposed in the rules follow on the amendments proposed in the law and cannot be prescribed until the law is amended; but in the meantime the opinions and remarks of the Local Governments have been obtained on a draft of the revised rules which was sent to them for consideration, and they have been requested to give effect to the recommendations falling under class (3).

Adoption in all Indian ports of the international buoyage system recommended by the Washington Marine Conference

6. In 1891 the Government of India agreed to the gradual adoption of the uniform international buoyage system recommended by the International Marine Conference held at Washington in 1890, and the Local Governments were instructed to take steps for the introduction of the new system as opportunity served. On a representation from the Government of Bengal the system existing in the river Hooghly was allowed to remain unchanged so far as the shape of the buoys was concerned.

Adhesion of India to the Commercial Convention between Great Britain and Egypt.

7. The Government of India agreed to join in a proposed Commercial Convention between Great Britain and Egypt, the object of which was the prevention of the imposition by the Egyptian Government of increased customs dues on British goods, which would follow on the termination of the commercial treaties of other Powers with Turkey, on the conditions that Indian cotton and jute goods should be placed on the same footing as English; that oilseeds, indigo, and rice should be added to the list of goods on which no more than 10 per cent. *ad valorem* could be levied; and that the exemption of goods sent across Egypt by rail should be secured. The Convention was concluded on this basis, and came into force from the 1st January 1890, and remains in force for ten years.

Accession of India to the Declaration between the United Kingdom and France relative to the disposal of the proceeds of wrecks on their respective coasts.

8. In 1890 the Government of India agreed to join in a Declaration between Her Majesty's Government and the Government of France relative to the disposal of the proceeds of wrecks on their respective coasts.

Adhesion of India to the Trade Mark Conventions between Great Britain and Roumania, and between Great Britain and Ecuador.

9. In 1892 and 1893 the Government of India agreed to Conventions between Great Britain and Roumania, and Great Britain and Ecuador, giving "most favoured nation" treatment to subjects of both countries in respect of trade-marks, industrial designs, and patterns, being made applicable to India.

India not to participate in the Commercial Convention of August 1892 between Great Britain and Roumania.

10. In March 1893 the Secretary of State sent copy of a Commercial Convention concluded between Great Britain and Roumania on the 13th August 1892, and asked for the views of the Government of India as to the participation of India therein. The Government of India decided that the Convention should not be made applicable to India, on the general ground that it is inexpedient to accept on behalf of India any treaties which are not of material advantage to the Empire.

11. The question of lighting the Red Sea and the Gulf of Aden has been under discussion for a long series of years ; but owing to political as well as financial reasons, it has not been found practicable as yet to effect any substantial improvement in the lighting of this ocean highway. The existing lights are admittedly insufficient for the purposes of safe navigation, and proposals made from time to time for the construction of new lights have been referred by the Secretary of State to the Government of India for an expression of their views. The position taken up by the Government of India in these matters has consistently been this :—

- (1) That they are not called upon to construct lights anywhere but on their own shores.
- (2) That each Government should light their own coasts.
- (3) That if lights require to be erected at points where the need for them exists in the interests of general trade, rather than of trade to and from the country where they are located, then the country erecting them may impose a toll for the service rendered.
- (4) That, as regards the construction and maintenance of lights in the Red Sea, the Government of India cannot themselves undertake to do the work, though they consider it very desirable that the work should be done ; and
- (5) That, if some arrangement can be made about the levy of tolls, they will be ready to assist by collecting those which will be leviable on vessels trading to India.

12. Proposals for the erection of lights on Quoin Island, the highest peak of the Abu Ail Islands, and on three other places in the Red Sea and on the Island of Socotra have, so far, come to nothing. But the Italians, who have established a Protectorate over certain portions of the Somali Coast, including Guardafui, have arranged with the Sultan of the Mijjertains for the erection of a light at that place.

Lighting of the Red Sea and the Gulf of Aden

Proposal to place lights in the Red Sea, Socotra, and Cape Guardafui.

CHAPTER XVII.

CUSTOMS.

Proposed Convention for the abolition of sugar bounties.

1. In 1888 the Government of India agreed to join in the International Convention for the abolition of sugar bounties which Her Majesty's Government was considering with other Governments. The Convention was opposed in Parliament and was subsequently abandoned.

English duties on silver wares and hall-marking.

2. The removal of the duties levied in the United Kingdom on silver wares and the abolition of hall-marking, which had formed the subject of correspondence between the Government of India and the Secretary of State for many years before the arrival of Lord Lansdowne in India, were again earnestly pressed on Her Majesty's Government in 1889 and 1890. In the latter year the Secretary of State informed the Government of India that it had been decided to abolish the duties on the importation of silver plate into the United Kingdom, but that Her Majesty's Government had decided not to interfere with the law and practice concerning hall-marking. Her Majesty's Government, however, proposed to mitigate as far as possible any hardship to the Indian silver trade by providing that Indian silver work, bearing an Indian hall-mark affixed under the authority of the Government of India, should be admitted into the United Kingdom without being subjected to the British hall-mark regulations. The Local Governments and the trade in India were consulted on the question of the introduction of an Indian hall-mark. The Government of India reported against the introduction of an Indian hall-mark whether obligatory or permissive; and expressed a hope that the system of hall-marking in England might ere long be abolished. The Secretary of State has accepted this view.

Amendment of the Sea Customs and Tariff Acts.

3. The proviso to section 37 of the Sea Customs Act, VIII of 1878, declaring that when the rate of duty or tariff valuation applicable to any goods imported into India was raised after the grant of port-clearance at the port of shipment, the rate and valuation applicable to such goods should be the rate and valuation in force on the date on which port-clearance was granted, was cancelled by Act VIII of 1889.

Increase of duty on spirit.

4. In 1889 the Indian Tariff Act of 1882 was amended so as to increase the duty on perfumed spirit from R7-8 to R8 per Imperial gallon, and on other descriptions of spirit from R5 to R6 per Imperial gallon. The expediency of action in the direction of increasing also the rate of duty on imported wines and on beer, was subsequently considered; but no change was considered necessary.

No change in the duty on wines and beer.

Working of the Sea Customs Act.

5. The Bengal Chamber of Commerce in 1891 represented that the system under which shipping bills must be taken out at the Custom-house before goods are shipped, or water-borne to be shipped (section 137 of the Sea Customs Act), should be replaced by the system in force in the United Kingdom, under which exporters of goods on which no drawback is payable are allowed five days from grant of port-clearance to the vessel on which the goods are shipped, within which to present a specification of the goods at the Custom-house, proposed a minor change in that Act, and suggested generally that the revision of the Sea Customs Act should be undertaken in view to the simplification of its provisions. The Government of India decided that the circumstances in England and in India were so entirely different that the adoption of the first of the proposals of the Chamber of Commerce would be most detrimental to statistical accuracy,

and stated that they were not prepared to order a general enquiry into the provisions of the Sea Customs Act, in view to their modification, unless it could be specifically shewn that amendments were necessary.

6. Many complaints having been made that goods bearing false trade marks were imported into India from foreign ports in foreign vessels, and that the lengths and descriptions of other goods were not correctly stated on the goods, an Act was passed in March 1889, called "The Indian Merchandise Marks Act," to prevent the importation into British India of goods having applied thereto counterfeit trade marks. The Act was mainly based on the English Act, with an addition providing for the marking of piece-goods with their length in yards. Rules and executive instructions for the guidance of Customs-officers in administering the Act were issued after it became law. Merchandise
Marks Act.

7. In 1890 a proposal to make railway receipts in India transferable and negotiable instruments carrying a title to property in the same way as bills of lading was considered and finally rejected. Proposal that rail-
way receipts for
goods should be
treated as bills of
lading.

CHAPTER XVIII.

GOA TREATY.

Denunciation of
the Anglo-
Portuguese Treaty
of 1878.

1. In the beginning of 1890 the question of renewing, revising, or denouncing the Commercial Treaty between Great Britain and Portugal in respect of their Indian possessions came under discussion. The treaty came into force on the 15th January 1880, and Article XXII provided that it should continue for twelve years, and for each successive period of twelve years, unless either of the contracting parties notified twelve months before the expiration of any such period of twelve years its intention of putting an end to the operation of the treaty.

2. The treaty took its origin in the desire to make arrangements for mutual relations which had been disturbed by the refusal of the British Government to recognise certain claims advanced by the Portuguese to customs privileges at Surat in virtue of a firman alleged to have been granted in 1714 by the Mogul Emperor. Briefly stated, the objects of the treaty were:—

- (1) To secure the British salt and excise revenue from the danger of smuggling from the Portuguese possessions, to guard against which danger a preventive cordon had previously been maintained on the frontier, the Portuguese Government receiving a liberal indemnity for the concessions made.
- (2) To enter into a customs and commercial union with those possessions.
- (3) To enable the Portuguese to construct a railway connecting the port of Marmagao with the British Indian railway system.

3. Besides these main objects the treaty and its subsidiary conventions contained stipulations for the assimilation of the Portuguese Indian coinage to that of British India; for the prohibition of the cultivation of opium in Portuguese India and of the export of opium thence to British India; for the extradition of criminals; and for the freedom of trade, navigation, and intercourse generally between the two possessions. The British Government undertook to pay the Portuguese an annual subsidy of 4 lakhs in consideration of the general provisions contained in Articles XI to XIV of the treaty, connected with salt and excise, and also a sum of Rs. 4,000 yearly as compensation for loss of seigniorage on Portuguese Indian coin coined in the British Indian mints.

4. It appeared that the Government of India were paying at an excessive rate for advantages which they could procure for themselves at a cheaper rate and quite as effectively if the treaty were to terminate altogether, and as the treaty was of but small advantage in other than its fiscal aspects, formal notice of withdrawal from the treaty was communicated to the Portuguese Government, with the intimation that Her Majesty's Government were prepared to enter into negotiations for a revision of the treaty. The Portuguese Government having agreed to negotiate for a revised treaty, Mr. A. D. Carey, Commissioner of Salt, Customs, and Opium, Bombay, was duly instructed and deputed to Lisbon to assist the representative of Her Majesty's Government in the negotiations. As was anticipated, the Portuguese Government held out on the more important points in respect of which a revision of the treaty was considered essential by the British Government, and the Government of India were com-

pelled to recognise that it was useless to continue the negotiations. The treaty of 1878 therefore came to an end on the 14th January 1892, from which date the preventive line on the frontier of the Portuguese-Indian possessions was replaced, and the condition of things which had existed prior to the operation of the treaty was reverted to.

5. Soon after the termination of the treaty the British Salt Agents made over to the Portuguese Government the charge of the salt works in Portuguese territory, of which they had hitherto held the control. A mixed Commission was appointed, as provided in the treaty, to assess the compensation payable under Article 12 (b) to the proprietors of salt works for damages done to the works which were made over to the Portuguese by the British Salt Agents on the termination of the treaty. The amount claimed by the Portuguese was upwards of 6½ lakhs, but the Commission awarded R1,31,158.

Compensation payable to proprietors of salt works in Portuguese India for damage under Article XII (b) of the treaty.

6. In April 1892 the Portuguese Minister in London claimed the revival of the Surat firman privileges, on the ground that these privileges had by the treaty of 1878 been replaced by advantages considered to be more in harmony with the interests of the British and Portuguese Governments, and that the compensating advantages having ceased with the termination of the treaty, the firman privileges must be deemed to have been revived. The Portuguese Government demanded either that the privileges should be restored in their entirety, or that adequate compensation should be given. The Foreign Office replied that as regards the Surat privileges, both parties to the treaty reverted on its termination to the position of 1878, when the privileges had been abolished and had remained in desuetude for a period of six years; that in January 1877 the Portuguese Government had been distinctly given to understand that, in the event of the treaty negotiations breaking down, there was no hope of the question regarding the Surat privileges being re-opened; and that, the treaty having lapsed, Her Majesty's Government adhered to the determination that these claims were absolutely extinct and could not be considered open to further discussion.

Claim of the Portuguese to a revival of the Surat Firman privileges.

CHAPTER XIX.

MISCELLANEOUS.

Proposal that the balances in the Reserve Treasuries should be made available for the purposes of trade during periods of monetary pressure.

1. The Bombay Chamber of Commerce made a proposal towards the end of the year 1888, that the balances in the Reserve Treasuries should be made available on favourable terms for the purposes of trade when money is scarce in the market, but the Government declined to do more in this direction than the existing orders permit. The policy of Government in regard to utilisation of its cash balances to facilitate trade was subsequently discussed in the Financial Statement of 1889-90. In April 1889 the question was reopened, but it was considered inexpedient to continue the discussion.

Refusal of the Bank of Bombay to grant advances on Government securities.

2. In the beginning of 1893-94 the Bank of Bombay having refused to grant advances on Government Paper to all comers, the bank was reminded that the possession by it of large Government balances in excess of the prescribed minimum imposes on it some responsibility as to the manner in which its resources are used, quite apart from other general considerations, and the possible result of a failure to recognise such responsibility was also stated in a letter of 6th July 1893.

Modifications in the Remittance Transfer Receipts system.

3. The system of remittances by means of Transfer Receipts was considerably curtailed in a Resolution No. 1126, dated the 8th March 1890.

Procedure of Account Offices, Local Governments, and Government of India Departments in relation to Budget and sanction.

4. In November 1889, the rules for regulating the procedure of account officers and of Local Governments and Departments of the Government of India in administering Budget grants were revised and the procedure as to the application for formal sanction to petty excesses over Budget grants at the end of the year was clearly defined.

Compensation to the services owing to fall in exchange.

5. The severe distress caused to the European and Eurasian officers of Government by the heavy fall in the exchange value of the rupee, rendered some measures of relief indispensable. A scheme for securing a remedy was formulated by the Government of India, and, after approval by the Secretary of State, was announced in Resolution No. 3624-A, dated the 18th August 1893. Under this scheme an exchange compensation allowance is given to every European and Eurasian officer not domiciled in India, as a fixed percentage on his monthly salary, to cover the extra cost that would be involved in remitting to Europe half the officer's salary, up to a maximum of £1,000 a year, at a privileged rate of 1s. 6d. to the rupee, as compared with the market rate. The payment of furlough allowances at the Home Treasury has also been sanctioned at the privileged rate of 1s. 6d. Both concessions were allowed with effect from the 1st April 1893.

Duties of audit officers before they admit charges against public revenues requiring the sanction of the Secretary of State.

6. In March 1889, it was declared that it would, in future, be a part of the duty of audit officers to require the sanction of the Secretary of State before admitting any expenditure charged against the public revenues, which was not within the competence of the Government of India to sanction, and certain rules were laid down for their guidance in the performance of this duty. The rules were modified from time to time, the latest rules on the subject being laid down in Resolution No. 916-Ex., dated the 4th March 1893.

Alterations in the rules for Post Office Savings Banks deposits.

7. Previously to the year 1889 depositors in the Post Office Savings Banks were allowed to deposit Rs500 yearly and Rs3,000 in all, exclusive of interest. In view of the fact that these limits were much higher than those prescribed in other countries, and of the reduction of the minimum amount for which Gov-

ernment Promissory Notes of ordinary loans can be issued, and other reforms facilitating the investment of savings, orders were issued reducing from the 1st April 1889 the yearly limit for deposits from R500 to R200, and the limit for the whole amount of deposit on any one account from R3,000 to R2,000 exclusive of interest.

8. In view of the issue of the $3\frac{1}{2}$ per cent. loan and of the fact that the quoted market rate for that loan is now less than 1 per cent. under par, orders were also issued on the 30th December 1893 directing that with effect from the 1st April 1894 the rate of interest on the Presidency and Post Office Savings Banks deposits should be reduced from $3\frac{3}{4}$ to $3\frac{1}{8}$ per cent. per annum.

9. In pursuance of the recommendations and suggestions of the Public Service Commission, the question of the re-organisation and recruitment of the Civil Account Department was taken up and considered in 1890. After examining the various proposals made by the Commission, a revised scheme for the re-organisation and recruitment of the Department was submitted to the Secretary of State and received His Lordship's sanction in 1891.

Re-organisation of
the Civil Account
Department.

10. The principal features of the new organisation were—

	Old scale.	New scale.	
	R	R	
Class I	1,750—50—2,000	1,500	(a) a considerable reduction in the rates of pay ;
" II	1,250—50—1,500	1,250	
" III	1,000—50—1,250	1,000	(b) an increase in the number of officers ;
" IV	800—40—1,000	800	
" V	600—40—800	600	
" VI	400—40—600	400	
Probationers	200 rising to 300	No change.	(c) reservation of one of the Accountant Generalships for officers of Enrolled List not members of the Indian Civil Service ;

(d) partial recruitment of the Department by the promotion of deserving officers of the subordinate grades of the service.

11. The agitation which commenced in 1885 for an improvement in the leave and pension rules applicable to the members of what was formerly termed the Uncovenanted Service continued during Lord Lansdowne's tenure of office. In 1890 a Select Committee of the House of Commons was appointed to consider the whole question. The Committee, after taking the evidence of several members of the service and examining other witnesses whose views on the subject were regarded as important, submitted the following recommendations and suggestions :—

Uncovenanted
Service grievances.

- (1) That the unforeseen change in the relative value of gold and silver money affords equitable grounds for a re-adjustment of the pensions of Uncovenanted Civil Servants resident in the United Kingdom.
- (2) That a minimum rate of exchange for payment of pensions should be fixed by the Government.
- (3) That the minimum rate shall be 1s. 9d. to the rupee.
- (4) That no distinction in the furlough and pension rules should be made between Europeans and Natives of India.
- (5) That some period of furlough should in all cases count as service for pension.
- (6) That pensionable service should commence at the age of 20.
- (7) That the greater part of the grievances of the Uncovenanted Service is due to the ambiguity in which the terms of the service have

from time to time been stated, and recommend that in future there shall be as nearly as possible a uniform scheme which shall explicitly describe the terms of pension and furlough.

- (8) That the Committee have had their attention called to the obstacles in taking furlough, arising from the insufficiency of the present furlough pay, and they recommend this matter to the consideration of the Secretary of State in Council.

12. These recommendations and suggestions were carefully considered by the Secretary of State and the Government of India, and after some correspondence with the India Office it was finally decided to adopt the suggestion to fix 1s. 9d. as the minimum rate of exchange for the payment of pensions in England and to accept the proposals (1) that a certain period of leave should be allowed to reckon for pension, (2) that service for pension should count from the age of 20 years, and (3) that the rate of furlough pay should be improved.

13. It was accordingly ruled that—

- (1) All pensions granted in rupees, which are payable at the Home treasury to residents in the United Kingdom, or which are payable to residents in any other country in which the standard of currency is gold, and paid, shall, with effect from the 1st April 1890, be so paid at the rate of exchange annually fixed for the adjustment of transactions between the British and Indian Governments, subject to a rate of 1s. 9d. the rupee as the minimum rate at which the conversion into sterling shall be effected.
- (2) One year's leave with allowances out of India in 15 years' service and 2 years in 25 years' service should count as service for pension.
- (3) Pensionable service should commence from the age of 20 instead of 22 years.
- (4) A minimum rate of absentee allowance—*viz.*, £200 a year or three-fourths of last salary, whichever is less—should be granted to officers proceeding on leave out of India owing to ill-health.

14. The suggestion of the Committee that no distinction in the furlough and pension rules should be made between Europeans and Natives was understood to mean that no distinction should be made merely on account of race, and as no such distinction was made in the rules or recognised by Government, it was not considered necessary to take any action on this suggestion of the Committee. The complaint regarding the alleged ambiguity in the terms of the rules and the Committee's recommendation in regard to it were very fully considered by the Secretary of State and the Government of India, and the conclusion arrived at was that the regulations were not open to the charge of ambiguity brought against them. It was explained that from the necessity of the case the rules were elaborate and complicated, but it was considered that any attempt to simplify them would result in a return to the state of uncertainty which existed before the rules were codified. Instructions were, however, issued for the preparation of a small pamphlet containing the principal rules in a condensed form. The pamphlet has been prepared and is ready for issue when certain pending questions are settled.

15. Many of the witnesses examined by the Parliamentary Committee laid stress upon the danger to which, it was thought, the service was exposed owing

to the reservation by Government of the right to modify the rules and to interpret their meaning in case of doubt. Instances were quoted in which it was alleged that changes had been made in the rules which materially affected the position of members of the service. On an examination, however, of the cases instanced by the witnesses, it was found that in none of them could it be said that there had been any interference with the rights of the servants of Government. It was pointed out that the Government of India had always been careful to exercise the right of altering the rules with due consideration for the claims of their servants, and that it was necessary that such right should be maintained. Local Governments and Administrations were, however, reminded that they should exercise great care in the introduction of new rules and endeavour to prevent changes from operating harshly in any particular case, and they were authorised to propose compensation in any case in which it was considered that an officer had substantially suffered from the introduction of a rule not in force when he entered the service.

16. The question of improving the leave and pension rules applicable to the

*Accounts
Archæological.
Botanical
Civil Veterinary.
Customs.
Economic Products.
Education.
Forest
Geological Survey.
Imperial Survey.
Indian Museum.

Jails.
Meteorological.
Mint(Assay).
Opium.
Post.
Police.
Postal.
Public Works.
Registration.
Salt.
Telegraph.

branches of the services termed the special departments* was considered in 1893, and the Secretary of State was addressed on the subject. It was proposed that officers of the Forest Department recruited in Europe should be admitted to the scale of pensions applicable to covenanted officers of the Public Works and Telegraph Departments, and that the leave rules for

the European services should be extended to all members of the special departments who might be classed as belonging to the Imperial service, and to all appointments included in article 330 (c) of the Civil Service Regulations, whether recruited in India or England. It was also proposed that a minimum allowance of £200 a year should be granted, whether or not the officer's leave is owing to bad health, and that the amount should be raised to £250. These proposals have not been accepted by the Secretary of State, who has issued certain orders which are now under consideration.

17. In the beginning of 1893 the members of the European Civil Services Association in England and India submitted a representation respecting the grievances of the Uncovenanted Service in the matter of leave and pension. The object of the representation was to show that greater concessions should be made to the services than had been granted as the result of the proceedings of the Select Committee of the House of Commons, and that the orders passed by the Government on the Committee's report did not in several important respects give full effect to the proposals and intentions of the Committee. The Government of India were, however, unable to recommend any further concessions or to admit that the orders passed on the report of the Committee did not carry out the definite recommendations and proposals made by the Committee. In the opinion of the Government of India the improvements already made or proposed in the leave and pension rules applicable to what was formerly termed the Uncovenanted Service should be regarded as the full limit of all reasonable concessions.

CALCUTTA,

22nd January 1894.

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SECRETARIAT
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